

## Small Businesses

### Retailers

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#### PURPOSE OF THIS GUIDE

This Guide will provide owners of small retail businesses with an introduction to:

- how Retail Sales Tax works
- how retailers are expected to collect and pay the tax to the Retail Sales Tax Branch; and
- how retailers can obtain additional assistance and information from the Retail Sales Tax Branch.

#### SERVICE AND ASSISTANCE

Retailers are encouraged to contact the nearest Retail Sales Tax Office for advice and assistance.

Service representatives are available to visit you to discuss how tax applies to the goods you sell. They will also try to solve problems you may have with your tax accounting and remitting, and provide other information you may need.

#### VENDOR PERMITS

Every retailer selling taxable goods and taxable services must obtain a vendor permit from his local Retail Sales Tax Office.

- you cannot transfer your vendor permit to anyone else, nor can you use a permit issued to someone else
- you must show your permit to anyone who requests to see it
- for businesses with more than one location, you need only one vendor permit. You must keep a copy of the permit at each location
- you must inform the Retail Sales Tax Branch:
  - if your business is sold, closed or incorporated, or if there is a partnership change
  - if you change the name or address of your business
  - if you open another location

#### Buying a Business:

If you buy a business, you should make sure that the previous owner has paid all the sales tax collected up to the time you bought the business.

#### Tobacco Products:

It is your responsibility to make sure that your tobacco supplier holds a valid **wholesale dealers permit** issued by the Motor Fuels and Tobacco Tax Branch, Ministry of Revenue.

#### RESPONSIBILITY TO COLLECT AND REMIT RETAIL SALES TAX

As a holder of a vendor permit, you are required to:

- collect tax on all taxable items including tobacco products, and hold the tax in trust until you pay it to the Treasurer of Ontario
- send completed tax returns with your tax payments to reach us **by the due date** shown on the front of the return. Return cards are mailed to you about 3 weeks prior to the due date
- pay tax on taxable items taken out of inventory for own use or given away free
- give your supplier a correctly completed and signed Purchase Exemption Certificate when you buy taxable items for resale.



Please note that:

- failure to collect the correct amount of tax is an offence. You are responsible for the payment of the tax not collected from your customers
- failure to remit the tax collected by the due date is an offence. You are subject to a penalty plus interest charges and will lose your compensation
- taxes collected from your customers are **trust funds** which belong to the Province of Ontario and must be paid to the Treasurer of Ontario on time. These funds must not be withheld, or used to finance your business or to pay other creditors.

## HOW TO REMIT RETAIL SALES TAX

**By Mail:** You may mail your cheque with the lower part of the tax return in the envelope provided. These must reach us by the due date.

**At a Bank:** Payment may be made free of charge by the due date at any chartered bank. Ensure that the return is stamped and the upper part returned to you for your records.

**At a Retail Sales Tax Office:** All Retail Sales Tax Offices accept payment.

**At the Toronto Public Enquiry Centre,** 50 Grosvenor Street (one block south of Wellesley Street).

**No Tax Collected:** You are required to complete each tax return you receive, even if there are no taxable sales and no tax to remit. Banks will not accept a tax return without a payment but Retail Sales Tax Offices and the Toronto Public Enquiry Centre will. **Nil returns** should always be mailed or delivered before the due date.

## COMPENSATION FOR COLLECTING AND REMITTING TAX

As compensation for collecting and remitting sales tax, you can deduct certain amounts from your tax payments.

If the amount on Line 2 of your tax return is:

- \$16 or less –deduct the whole amount
- \$16.01 to \$400 –deduct **\$16**
- \$400 or more –deduct **4% of the amount on line 2**

Please note:

- a maximum of **\$1,000** can be deducted for the **12-month** period from April to March
- if you have not deducted compensation in the current year, or a previous year, contact your local Retail Sales Tax Office.

You cannot deduct compensation:

- if the tax return is not received on or before the due date
- if the tax return is not accompanied by full payment; or
- if your cheque is not negotiable.

## AUDITS

### Reasons for Audits:

The Ministry audits vendors to ensure that they are correctly applying retail sales tax to their sales and are paying taxes on purchases for their own use.

### Audit Process

**Contact:** An auditor will contact you to arrange a visit at a mutually convenient time, tell you what records will be examined and to ask where you keep your business records.

**Visits and Discussions:** On the agreed day the auditor will discuss how tax applies in your business, tour the premises, and ask to see your records.

**Review of Records:** The auditor will examine the records to determine whether you have been complying with the Retail Sales Tax Act and may ask questions about items in the records.

**Conclusion:** Some audits result in an assessment for sales taxes that have been under or over remitted. In these cases, the auditor may conduct another visit to make certain that required changes are carried out as soon as possible.

## Records Required For Audit

You and your accountant should develop an accounting system that includes records to show:

- a) sales
- b) tax charged on taxable items
- c) taxable items sold tax exempt; **purchase exemption certificates must support these sales** (see guide 104, Purchase Exemption Certificates)
- d) purchases
- e) taxes paid on taxable purchases
- f) that the tax charged and collected was paid to the Treasurer of Ontario

The auditor may also ask for such records as bank statements, cancelled cheques, annual financial statements, income tax returns, bank passbook, disbursements journal, etc. These records are often used to answer other questions the auditor has.

If adequate records are not maintained, the Retail Sales Tax Branch will use any means at its disposal to estimate the tax that should be collected and remitted. If there is an under-payment, you may be assessed.

## AUDIT ASSESSMENT

Where an assessment is to be raised, the auditor will ask for payment. If the amount creates financial hardship on your business, the auditor will refer you to our collections representative to arrange satisfactory payment. The auditor may make a list of your assets which have not been pledged as security.

## ASSESSMENT OBJECTION

If you disagree with the audit assessment, you can discuss the matter with the auditor's supervisor or manager. The auditor will supply the supervisor's name and telephone number.

If you still disagree with the audit assessment, a **Notice of Objection** may be filed with the Ministry's Tax Appeals Branch. This must be done by registered mail within 180 days of the day the assessment was mailed. The form must contain the relevant facts and reasons for the objection.

In any event, the Retail Sales Tax Act requires payment of the assessment within 30 days of receipt of the **Notice of Assessment**.

Notice of Objection forms are available at the local Retail Sales Tax Office, or they can be requested from:

Tax Appeals Branch  
Ontario Ministry of Revenue  
P.O. Box 627  
Oshawa, Ontario  
L1H 8H5

Telephone: (416) 433-6029 in Oshawa  
or (416) 965-5836 in Toronto  
(ask the Operator for the Tax Appeals Branch)

The objection hearing is informal. An impartial Ministry official from the Tax Appeals Branch will contact you and review the facts relating to the assessment and the reasons for the objection. The official will make a decision on the facts presented based on the Retail Sales Tax Act.

## ADDITIONAL INFORMATION

You may be faced with an unusual problem such as:

- refunding tax wrongly paid by customers
- refusal by a customer to pay tax
- correcting the amount of a previous return or remittance.

You should contact your local Retail Sales Tax Office for help. Service representatives are also willing to speak directly with your customer to explain any retail sales tax questions raised with you.

Also, the following Ontario Sales Tax Guides are available at your nearest Retail Sales Tax Office:

101 – How to Complete Your Tax Return  
104 – Purchase Exemption Certificates

105 – Penalties  
146 – Discount Coupons



**INFORMATION CONCERNING ONTARIO RETAIL SALES TAX MAY BE OBTAINED FROM THE FOLLOWING  
RETAIL SALES TAX OFFICES**

**BELLEVILLE**

191 Dundas Street East  
Belleville, Ontario  
K8N 1E2  
962-9108  
ZENITH 37100

**HAMILTON**

119 King Street West  
P.O. Box 2112  
Hamilton, Ontario  
L8N 3Z9  
521-7504  
Toll Free: 1-800-263-9229 (for Area Codes 519 and 416)  
1-800-263-9238 (for Area Code 416)

**KITCHENER**

449 Belmont Avenue West  
Kitchener, Ontario  
N2M 1N2  
576-8400  
Toll Free: 1-800-265-8700 (for Area Code 519)  
1-800-265-2303 (for Area Codes 705 and 416)

**LONDON**

310 Wellington Road S.  
London, Ontario  
N6C 4P4  
433-3901  
Toll Free: 1-800-265-1540

**NORTH BAY**

1500 Fisher Street  
Northgate Plaza  
North Bay, Ontario  
P1B 2H3  
474-4900  
Toll Free: 1-800-461-1564

**ORILLIA**

19 Front Street North  
P.O. Box 670  
Orillia, Ontario  
L3V 6K5  
325-9587  
ZENITH 37100

**OSHAWA**

33 King Street West  
P.O. Box 629  
Oshawa, Ontario  
L1H 8K1  
433-6240  
ZENITH 37100

**OTTAWA**

1355 Bank Street  
Ottawa, Ontario  
K1H 8K7  
523-9760  
Toll Free: 1-800-267-9745

**PEEL**

2 Robert Speck Parkway  
Suite 350  
Mississauga, Ontario  
L4Z 1H8  
273-9490  
Toll Free: 1-800-268-2968

**SUDBURY**

Ontario Government Building  
199 Larch Street  
Sudbury, Ontario  
P3E 5P9  
675-4351  
Toll Free: 1-800-461-1564

**THUNDER BAY**

Ontario Government Building  
435 James Street South  
P.O. Box 5000  
Thunder Bay, Ontario  
P7C 5G6  
475-1681  
Toll Free: 1-800-465-5025

**TORONTO**

2300 Yonge Street  
Toronto, Ontario  
M4P 1H6  
487-1361  
ZENITH 71800

**WINDSOR**

Ontario Government Building  
250 Windsor Avenue  
Windsor, Ontario  
N9A 6V9  
252-4404  
Toll Free: 1-800-265-1540

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